
5. Stakeholder Identification

This step may be thought of as answering the following question:

Who are all the stakeholders that are likely to be impacted by the problem and the options that might be under consideration as solutions?

Once regulatory options have been designed, the next step in RIA is the identification of stakeholders and how they are impacted by them.

Without a comprehensive understanding of who is affected—and how—subsequent analysis of costs, benefits, and distributional impacts risks being incomplete or misleading.

The OECD emphasises that RIA should identify “all groups affected by the policy, whether directly or indirectly,” thereby ensuring that analysis captures the full range of impacts rather than focusing narrowly on regulated entities. Similarly, the European Commission’s Better Regulation framework requires policymakers to systematically assess “who is affected and how,” including impacts on businesses, citizens, and public administrations.

Stakeholder identification is therefore not a mechanical listing exercise. It is an analytical process that requires regulators to understand the structure of the market, the relationships between actors, and the broader systems within which regulation operates.

5.1. Stakeholders Directly Impacted by Regulatory Options

5.1.1. Consumers and End Users

Regulation is often undertaken to benefit consumers. When regulatory intervention is addressing a market failure, the key intended group of beneficiaries is consumers.

As we have seen earlier, market failures lead to a loss of allocative efficiency in the market, and one of the key aspects of this is the reduction in ‘consumer surplus’ compared to a counterfactual situation of a well functioning market.

Regulatory intervention that addresses the market failure typically leads to an increase in consumer surplus, particularly when the market failure is attributable to the presence of a monopoly or oligopoly.

Regulations which help increase product safety, consumer information, or enhance consumer rights also lead to more beneficial outcomes for consumers.

5.1.2. Producers and Service Providers

Producers of the relevant market for goods or services that the regulation applies to are the next key group of stakeholders impacted by the options chosen.

Regulatory intervention to correct a market failure arising due to the presence of a monopoly or significant market power, typically results in lower prices and margins for producers. It is also expected to reduce overall profitability since producers have to shift away from the prices that maximised their profits in an unrestricted and unregulated market. Typically, competition authorities are tasked with regulating monopolies and one of the important regulatory interventions used is price regulation or margin regulation which targets a maximum allowable margin for the monopolist.

Regulations may impose requirements on producers to disclose more details about the product or service or label the products better - both of which impact producers by imposing some costs or undertaking these actions. For instance, firms may become subject to license or registration requirements or may be required to pay increased license fees.

The impacts on this group are often the most readily measurable, as they include compliance costs, administrative burdens, changes to business models, and potential effects on profitability. However, even within this category, heterogeneity is significant. Large firms may have the resources to absorb compliance costs and adapt quickly, whereas smaller firms may face disproportionate burdens.

Impacts on small firms or businesses in terms of the burden of complying with regulations that should be given due consideration when selecting the most preferred option.

5.1.3. Regulators and Public Authorities

Regulators themselves are often overlooked as stakeholders, yet they play a central role in implementation. New regulatory options may require additional administrative capacity, specialised expertise, monitoring systems, enhanced use of technology, and enforcement mechanisms.

These requirements have direct implications for regulators in terms of additional costs of implementation and enforcement.

For instance, in the development of the General Data Protection Regulation (GDPR), the European Commission explicitly identified supervisory authorities as key stakeholders, noting that the proposed framework would require stronger coordination mechanisms, increased staffing, and enhanced enforcement capabilities across Member States.

Different options impose different levels of costs on regulators. Also, in scenarios where self-regulation or co-regulation is proposed, some of the regulatory and/ or enforcement burden may shift to self-

regulatory bodies, industry associations and external expert bodies entrusted with functions like standard setting and dispute resolution.

Some options may impose costs on judiciary and quasi-judicial bodies, and other government agencies that may be required in the enforcement of regulations.

5.1.4. Entities in the supply chain

Modern markets often involve complex value chains, where the final regulated firm sources raw materials, intermediary goods etc from other suppliers. They may also interact with intermediaries such as platforms, agents, or service providers in order to reach consumers. Regulatory interventions targeting one segment of this chain can have cascading effects on others.

For example, in the Reserve Bank of India's framework for payment aggregators and payment gateways, while payment aggregators are directly regulated, the framework also affects merchants, payment gateways, and technology providers who must adapt their operations to comply with revised onboarding, settlement, and data management requirements.

Thus, options considered under an RIA exercise may impact other entities part of the value chain. It is important to take into account the impact on such firms which conduct RIA.

A rigorous RIA must therefore adopt a value-chain perspective, identifying not only who is regulated, but also who is economically connected to those actors—and how regulatory effects propagate across these linkages.

5.1.5. Potential Market Entrants

Regulation also shapes the conditions under which new firms can enter a market. Entry barriers—whether in the form of licensing requirements, capital thresholds, or compliance costs—can significantly influence competition and innovation.

RIA should consider the impacts on future market dynamics under the various options, particularly on competition impacts and impacts on potential market entrants. Ideally, markets should aim to remain as competitive as possible and a key enabler of this is the ease of entry for potential entrants.

5.1.6. Potential Consumers and Financial Inclusion

In many sectors, particularly in developing economies, regulation plays a critical role in determining who can access markets on the consumer side. Regulatory design can either expand or restrict access to services such as banking, insurance, or digital platforms.

The experience of mobile money regulation in Kenya, overseen by the Central Bank of Kenya, demonstrates how regulatory choices affect potential consumers. A flexible, “test-and-learn” approach

enabled the rapid expansion of mobile financial services to previously unbanked populations. This highlights that stakeholder identification must include not only current users but also those who may be brought into the market as a result of regulatory change.

By recognising that regulatory choices determine not only how markets function but also who can access them, policymakers can better evaluate the broader welfare implications of different options, particularly in contexts where inclusion and access are central policy concerns.

5.2. Factors Impacted: Markets, Environment, and Society

In addition to impacts on various stakeholder groups, regulatory interventions can have an impact on the broader market structure and the economy, as well as the environment. RIA requires an assessment of these impacts since they have the potential to affect overall wellbeing in society.

5.2.1. Markets and Economic Structure

Regulation can fundamentally alter market dynamics by influencing competition, pricing, innovation, and entry. Although we have identified potential market entrants as an important stakeholder group, broader impacts on the overall structure of the market can also have lasting effects on the welfare of consumers, producers and intermediaries.

These effects may not be immediately visible at the level of individual firms but can have significant long-term implications.

5.2.2. Environment

Where relevant, regulatory interventions may have environmental implications. These may include changes in energy consumption, emissions, or resource use.

RIA should ideally include consideration of any environmental impacts of regulatory interventions, including changes to emissions, and resource efficiency. This helps make regulatory decisions more well-rounded and criteria such as environmental sustainability can then be given due importance in option selection where this is needed.

5.3. Preventing regulatory capture

Policymakers should aim to avoid a situation in which the RIA process is disproportionately influenced by a particular stakeholder group, typically those that are well-organised, well-resourced, or have privileged access to decision-makers.

Regulatory processes that are transparent, inclusive, and evidence-based, mitigate the risk that policy outcomes are shaped by narrow interests rather than broader public welfare. Regulatory capture can arise not only at the stage of decision-making, but also earlier—during problem definition, option design, and stakeholder identification itself.

In the context of RIA, capture may manifest in more subtle ways. For example, regulators may:

- Focus disproportionately on the concerns of incumbent industry players
- Frame the problem in terms that reflect industry perspectives
- Identify stakeholders narrowly, excluding less organised or future groups
- Give greater weight to submissions from well-resourced actors during consultation

For instance, consultation processes often receive disproportionate input from industry stakeholders, while consumers, small businesses, and diffuse interest groups are underrepresented.

Similarly, in many developing countries, regulatory processes tend to be dominated by formal sector actors, with insufficient consideration given to informal participants, small enterprises, and potential entrants.

The risk of capture underscores the need for a holistic and deliberately inclusive approach to stakeholder identification. Regulators are recommended to go beyond readily visible or vocal stakeholders and actively seek to identify groups that may be:

- Diffuse or poorly organised (e.g., consumers, households)
- Indirectly affected (e.g., workers, supply chain participants)
- Future stakeholders (e.g., potential entrants, future consumers)
- Vulnerable or underrepresented (e.g., small firms, marginalised communities)

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